

31 August 2023

The Securities Investors Association (Singapore)
7 Maxwell Road #05-03
MND Building Annexe B
Singapore 069111

Attention: Mr David Gerald

Dear David,

We refer to the questions relating to our Annual Report for FY2023 posted on your website and are pleased to respond as follows:

1. Replies to Query #1:

- i. As disclosed in the Letter to Shareholders under "Commitment To The Group's Strategies" on page 2 of the Annual Report, the Chairman outlined the two main strategies of the Group: (i) Brand and product diversification by way of continuous fine-tuning of its product offerings in response to changes in market demand; and (ii) Value-adding by way of expansion of the Stamford Tyres Mart chain and mobile tyre services to better reach-out to its end-customers as well as its commercial and fleet customers. As elaborated therein, the operational competitive advantages held by the Group are its sourcing strength and the expertise to deliver value-added services to its commercial fleet and retail end-customers.
- ii. As disclosed in Note 4 on page 88 of the Annual Report, the value-added segment in both retail and fleet operations comprised 26.5% of the Group's total revenue for FY2023 (FY2022: 24.2%). As disclosed under the "Commitment To The Group's Strategies" (page 3 of the Annual Report), the Group has identified Singapore and Indonesia to be promising growth areas for the development and expansion of its total tyre management services, tyre retreading, sourcing and supply of specialised tyres for mining application, and other related value-added services such as off-the-road tyre repair, vehicle inspection services and maintenance.
- iii. As disclosed under the "Financial And Operations Review" section on page 16 of the Annual Report, the Group is continuously working on enhancing its marketing and branding activities, as well as improving the product design and sale of SSW wheels into export markets (beyond the Southeast Asian region). The proprietary brands of the Group are manufactured in accordance with global quality standards, and Management shall continue to work on improving the marketing, branding and product design of SSW wheels (refer to page 11 of the Annual Report under the section, "Our Products").
- iv. As explained under the "Financial And Operations Review" section on page 17 of the Annual Report, South Africa remains an important region for the Group outside South East Asia, contributing 9% of the Group's revenue. As stated on page 11 of the Annual Report, Falken remains a key premium brand for the Group with and South Africa is listed as a key distribution market. The Group remains committed to developing the Falken distribution in South Africa and there are currently no plans to divest the South African operations.

As disclosed in Note 15 on page 97 of the Annual Report, the market disruptions arising from the ongoing import restrictions in India has significantly affected the financial viability of the joint venture. The Group shall continue to engage its majority-stake joint venture

partner – Sumitomo Rubber Industries Ltd – with regard to developments within the India market

- v. The return on equity (ROE) achieved by the Group over the last 10 and 15 years are as follows:

	Last 15 years FY09 to FY23	Last 10 years FY14 to FY23
Return on equity	4.8%	2.9%

The strategies in response to current market conditions to enhance the profitability of the Group are as outlined under the “Commitment To The Group’s Strategies” on page 2 of the Annual Report, and in response to Query (i) above.

2. Replies to Query #2:

- i. Mr Wee Kok Wah, as Founder and Senior Advisor plays a pivotal role in providing guidance and advice to the Board and the Company’s Senior Management team on strategic matters by leveraging on his extensive industry experience and entrepreneurial spirit. This together with his deep roots and good standing in the tyre industry, his personal and business relationships with principals and stakeholders continue to be of value for the growth of the Stamford Tyres Group. His responsibilities as Founder and Senior Advisor include offering insights on market trends, identifying growth opportunities, and contributing to key decision-making processes. While his role does not involve direct involvement in day-to-day operations, his focus is primarily on high-level strategic contributions and counsel to the Board and Senior Management. As the single largest shareholder of the Company, Mr Wee is totally dedicated to the Company and the Board believes that he can still be very effective in his role as advisor and mentor particularly to the CEO and the Senior Management Team as well as providing advice to the Board.

The role and responsibilities of Mrs Dawn Wee Wai Ying (Executive Director) include developing and promoting the business of the Group and safeguarding the interests and reputation of the Group. She provides leadership to the Senior Management Team, as well as functional teams, and oversees the strategic business development of the Group and the execution of set strategies, directions and targets by the Board.

The role and responsibilities of Dr Wee Li Ann (Executive Director) cover the development and retention of senior corporate leadership and talent within the Group. She develops strategic business plans of the Group with the Senior Management Team in terms of day-to-day running of the operations. She focuses on the supervision of significant concentration of credit risks within the Group and the management of relationships with investors, principal suppliers, bankers and business partners.

Mr Conson Tiu Sia was appointed as the Chief Executive Officer (“CEO”) on 1 August 2023 (and not as the chief executive director). Mr Sia has risen through the ranks since he joined the Stamford Tyres Group in 1993. He was the Group’s Chief Financial Officer from 1 August 2001 to September 2013 and thereafter headed the Group’s operations in South Africa, Malaysia and Singapore. He is highly attuned to the Group’s business strategies and culture. As CEO, Mr Sia oversees the overall business operations, formulates strategies, ensures alignment with the company’s goals, and manages the executive team. He is responsible over the profitability of the Group, as well as for the day-to-day operations and management of the Group and executing the Group’s strategies and policies.

The Board does not see an overlapping of responsibilities but rather that each of the roles complement each other’s strengths.

- ii. As disclosed in the Letter to Shareholders on page 2 of each of the preceding Annual Reports of the Company for FY2020, FY2021 and FY2022, since the onset of the COVID-19 pandemic in 2020, the Board of Directors and senior management took a voluntary 20% pay cut and the managerial staff took a voluntary 10% pay cut to reflect the Group's commitment in managing the challenges posed by the global economic environment. These voluntary pay cuts were in place throughout FY2022.

The Directors' Fees for FY2021 of up to S\$264,810 (compared to FY2020's S\$359,870) were proposed for quarterly payment in arrears and was approved by shareholders at the Annual General Meeting ("AGM") held on 30 September 2020. In line with FY2021's approach, the Remuneration Committee ("RC") maintained the 20% reduction in Directors' Fees in FY2022 in solidarity with Senior Management's ongoing 20% pay cut. The Directors' Fees for FY2022 amounted to S\$210,296 was approved by shareholders at the AGM held on 29 September 2021.

In light of the stabilisation of the Group's financials post-COVID, and the sustained profits in FY2022, the aforementioned pay cuts, including Directors' Fees, were reinstated at the beginning of FY2023. As part of the transition for Board renewal, Ms Caroline Wee joined as a board member in September 2022 and her fees were included in the proposed Directors' Fees of S\$301,799 for FY2023 which was approved by shareholders on 31 August 2022. As Mr Leslie Mah will be retiring after the AGM on 31 August 2023, the RC has recommended a proposed Directors' Fees of up to S\$232,477 for shareholders' approval for quarterly payment in arrears, pending approval by shareholders at the AGM scheduled for 31 August 2023.

3. Replies to Query #3:

Each Director is required to submit an assessment of the Board and Board Committees as well as a peer assessment on contributions towards the effectiveness of the Board. The recommendation for the re-nomination and re-election of Mr. Sam Chong Keen was made following careful and thorough deliberations of the assessments on his contributions, performance, expertise and experience, with a focus of ensuring effective leadership on the Board and Board Committees and the following factors were taken into consideration:

- a. The Group has benefited from Mr Sam's counsel and analytical and strategic skills as well as his wealth of management experience and expertise.
- b. Mr Sam does not hesitate to express his own viewpoint as well as seek clarifications from Management on issues as necessary.
- c. Mr Sam exercises objective judgement on corporate matters independently, particularly from Management.
- d. The length of his service was assessed as not having any detrimental impact, or interfere with his exercise of independent judgement, or hinder his ability to act in the best interest of the Company and the Group.
- e. As Chairman of the Board, Mr Sam provides stability to the Board.

As part of good governance, each director recused himself or herself in all matters in which he or she may have an interest or conflict of interest. To address potential conflicts of interest, the NC's discussions and decisions are conducted in a transparent manner and are well-documented, highlighting the considerations and criteria used in evaluating all directors for re-nomination regardless of tenure.

As disclosed on page 28 of the Annual Report, Mr Sam Chong Keen, collectively with the other Non-Executive Independent Directors, have constructively challenged and helped Management develop proposals on business strategies for the Group and its stakeholders. Mr Sam leads the Board in facilitating effective decision-making and aids in the development of the Group's strategic processes, reviewing the performance of the Management in meeting agreed goals and objectives,

and monitoring the reporting of performance and operations. For the Group's average ROE over the past 10 and 15 years, please refer to the response to Question #1(v).

The Company believes that Mr. Sam Chong Keen's re-election is in the best interest of the Company, its stakeholders, and for its sustained growth and has requested that Mr Sam stay on as Board Chairman while it progressively renews its Board. The role of Chairman of the Board is a critical one and the individual should be well versed in a range of issues which include the relevant core competencies, strategic thinking skills, good communications skills, listed company experience, analytical, visionary and is someone of good stature and integrity. Under Mr Sam's strong leadership, the Board has guided the Senior Management Team through the recent challenges which has been critical for the long-term performance of the Group.

The Company's ongoing Board renewal and refreshment process is intentionally phased to ensure that the Company has a group of Directors whose tenures are staggered across their terms of office. This provides continuity and stability for the conduct of Board matters whilst also ensuring that the Board can benefit from different perspectives and insights to overcome the challenging business environment which the Group operates in. The Company believes that a mix of Directors with long and short tenures on the Board will allow the Board to benefit from senior Directors' knowledge about the Company and its business operations thereby facilitating a seamless non-disruptive transfer of institutional knowledge, complemented by the fresh perspectives that new directors may bring.

Meanwhile, the NC is in the process of identifying potential candidates to be independent directors who can bring strategic insights and contribute value to the Group and who may potentially have the capability to discharge the duties of Chairman. The Company will release announcements on appointment of Directors, if any, when appropriate.

In addition to the above, we have also addressed key issues which we think are of interest to our shareholders and interested investors in our Management Presentation during our Annual General Meeting on 31 August 2023. We have uploaded the presentation slides via the SGXNet together with the results of the AGM.

Thank you for your interest in our Company.

Kind regards



Dr Wee Li Ann
Director
Stamford Tyres Corporation Ltd